

## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

### **■ Example #1 of Account Growth in a Year (Assumes \$20,000 annual pay)**

◆ Step 1: 1/1/99 opening account balance	\$4,065
◆ Step 2: 4.51% interest credit ( $.0451 \times 4,065$ ) (+)	\$183
◆ Step 3: 4% principal credit ( $.04 \times 20,000$ ) (+)	\$800
Ending 1999 balance =	<u>\$5,048</u>

## Closer Look at the SPX Individual Account Retirement Plan (con.)

### ■ Example #2 of Account Growth in a Year (Assumes \$40,000 annual pay)

◆ Step 1: 1/1/99 opening account balance	\$4,065
◆ Step 2: 4.51% interest credit $(.0451 \times 4,065)$ (+)	\$183
◆ Step 3: 4% principal credit $(.04 \times 40,000)$ (+)	\$1,600
Ending 1999 balance =	\$5,848

## **Closer Look at the SPX Individual Account Retirement Plan**

### **■ Example #3 of Account Growth in a Year**

**(Assumes pay of \$75,000; 1999 Social Security Wage Base of \$72,600)**

- ◆ Step 1: 1999 opening account balance of \$11,569
- ◆ Step 2: 4.51% interest credit  $(.0451 \times 11,569) (+)$  \$522
- ◆ Step 3: 4% principal credit  $(.04 \times 72,600) (+)$  \$2,904
- ◆ Step 4: 8% additional principal credit  
 $(.08 \times 2,400) (+)$  \$192
- ◆ Step 5: Ending 1999 account balance (=)\$15,187



## Closer Look at the SPX Individual Account Retirement Plan (con.)

### ■ How will my future benefits be impacted?

Assumptions: 5% annual interest credit for all years  
no change in annual pay, principal credits, or Social Security taxable wage base.

Annual Pay	Annual Principal Credit to Account Balance	Years of Covered Employment			
		5 Years	10 years	20 years	30 Years
\$20,000	\$800	\$4,421	\$10,062	\$26,453	\$53,151
\$40,000	\$1,600	\$8,841	\$20,125	\$52,906	\$106,302
\$60,000	\$2,400	\$13,262	\$30,187	\$79,358	\$159,453

## **Closer Look at the SPX Individual Account Retirement Plan**

- **How can I monitor the growth of my account?**
  - ◆ All participants will receive annual statements
  - ◆ Will include:
    - current balance
    - principal credits
    - interest credits
    - vesting status

## **Closer Look at the SPX Individual Account Retirement Plan**

- **How is my account balance invested?**
  - ◆ Same as under the former plan
  - ◆ Associates have no investment risk
  - ◆ Account balance only grows; no losses due to investment performance
  - ◆ SPX investment committee oversees assets held



## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

- **When do I “own” my account?**
  - ◆ After five years of service
  - ◆ Your former General Signal vesting service is counted
  - ◆ No partial vesting

## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

- **When can I receive my vested account balance?**
  - ◆ **Upon retirement**
  - ◆ **Upon leaving SPX for any reason**
  - ◆ **Can elect to receive benefit immediately or defer until later date**
  - ◆ **No in-service withdrawals or loans available**



## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

- **What happens to my account if I die before receiving my account?**
  - ◆ **If you are vested:**
    - you're entire account will be paid to your spouse if married or beneficiary if not
    - payment to spouse is in a form of an annuity for life of your spouse
    - amount is equal to the actuarial equivalent to 100% of your account balance
    - payments start immediately
  - ◆ **If not vested:**
    - no benefit continues to your spouse

## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

- **What payment options are available?**
  - ◆ **Lump sum**
  - ◆ **Variety of monthly payment options**
    - **Life annuity is normal form if single**
    - **Joint and 50% survivor is normal form if married**
  - ◆ **Leave in plan**
  - ◆ **Roll over the full value to another employer's qualified plan or into an IRA**
  - ◆ **Automatically paid as lump sum if \$5,000 or less**



# The Bottom Line

## Comparing the features of the former pension plan and the Individual Account Retirement Plan

Plan Feature	Former Plan	New Individual Account Retirement Plan
Earning benefits	<ul style="list-style-type: none"> <li>◆ You don't earn significant benefits unless you stay with SPX until retirement</li> </ul>	<ul style="list-style-type: none"> <li>◆ You earn benefits consistently throughout your career</li> </ul>
Value of benefits	<ul style="list-style-type: none"> <li>◆ Based on complicated formula and shown as monthly benefit at normal retirement age</li> </ul>	<ul style="list-style-type: none"> <li>◆ Simple formula and shown as a single account balance in today's dollars</li> </ul>
Vesting/ownership of benefit	<ul style="list-style-type: none"> <li>◆ Own benefit after five years of service</li> </ul>	<ul style="list-style-type: none"> <li>◆ Same</li> </ul>
Access to benefit	<ul style="list-style-type: none"> <li>◆ Must wait until retirement to receive benefit</li> </ul>	<ul style="list-style-type: none"> <li>◆ You have access to your vested balance when you leave the company for any reason</li> </ul>



## **The Bottom Line**

- **Am I better off under the former plan or the new plan?**
  - ◆ **SPX conducted thorough due diligence to analyze the impact of changes**
  - ◆ **Overall, the majority of associates are better off under the new SPX Financial Security Plans**
  - ◆ **Under the new plans, there were a small number of employees who would have received a lesser future benefit**
  - ◆ **As a result, SPX is providing transition benefits to these associates**

## **The Bottom Line (cont.)**

- **Am I better off under the former plan or the new plan? (continued)**
  - ◆ **Other considerations:**
    - Level of EVA bonus impacts balance — as it increases, so does your account balance
    - Whole benefit paid under new plan if you die before retirement
    - Access to account when you leave SPX before retirement
    - More payment options
    - Deferred benefit continues to earn interest



## **Closer Look at the SPX Individual Account Retirement Plan (continued)**

- **Transition benefit provided to help ensure comparable benefits**
  - ◆ Separate calculation made at time of retirement
- **Eligibility:**
  - ◆ Former General Signal salaried plan participants
  - ◆ At least age 45 with five or more years of service as of 1/1/99
  - ◆ Must retire on or after age 55
  - ◆ Must retire after 10/1/99



## **Closer Look at the SPX Individual Account Retirement Plan (cont.)**

- **Transition benefit description:**
  - ◆ Your account balance at retirement is converted to an age 65 benefit
  - ◆ The age 65 benefit is reduced 3%/year to early retirement age
  - ◆ This early retirement life annuity will be paid to you if it is greater than regular Individual Account Retirement Plan life annuity
  - ◆ If you retire early, you may receive the lump sum value of the transition benefit if more than the original Individual Account Retirement Plan balance at retirement

## **Understanding Your Upcoming Statement**



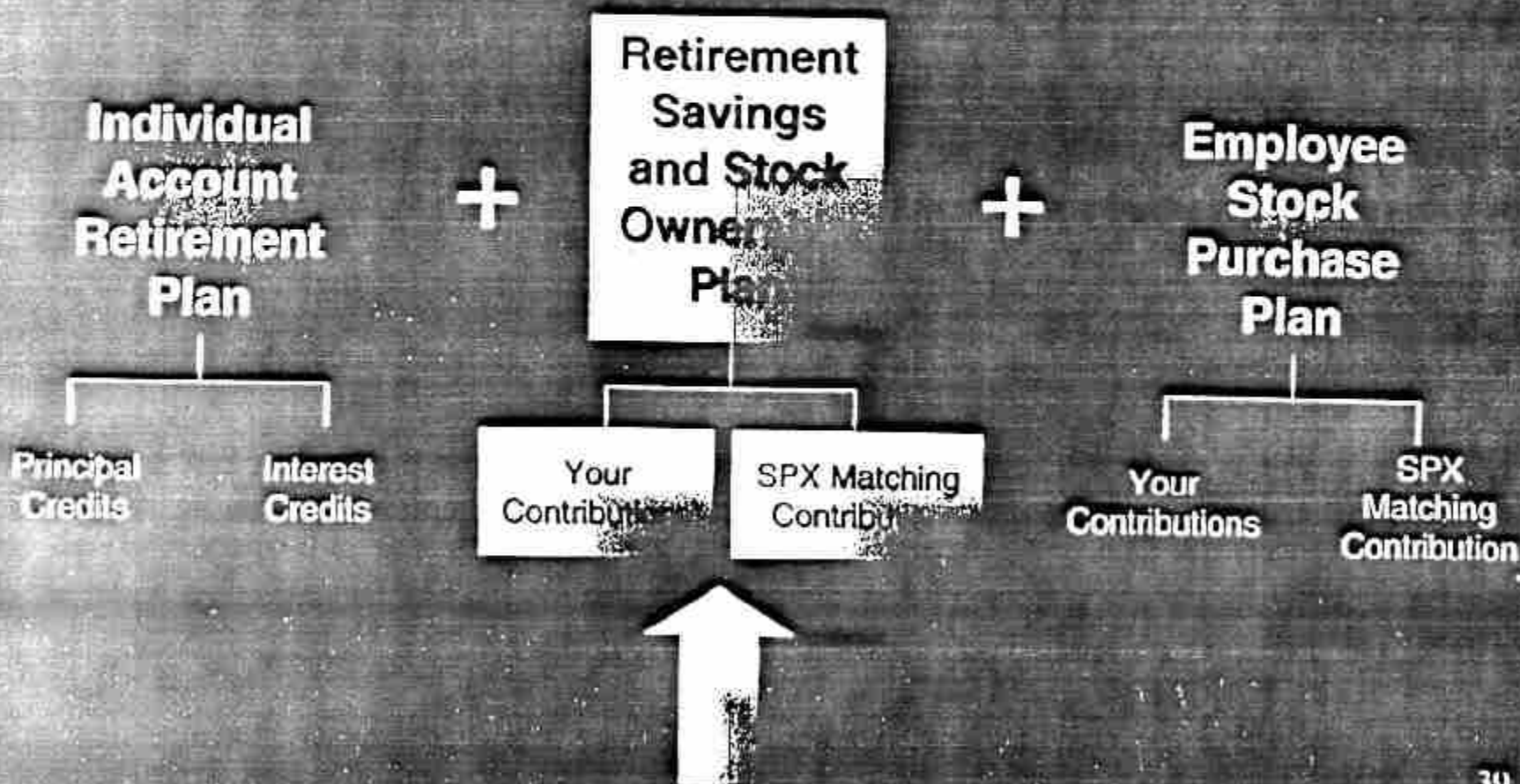
## **What If You're Not Sure The Statement Correct?**

- **Contact Human Resources for correction form**
- **On form, list in detail what is in question**
- **Return form and back-up documentation to Human Resources**
- **Human Resources will follow up and get back to you**



# The SPX Retirement Savings and Stock Ownership Plan

## SPX Financial Security Plans



## **The SPX Retirement Savings Plan**

- **The transition to the SPX Retirement Savings Plan, as of 1/1/99:**
  - ◆ **Former plan merged with SPX Retirement Savings Plan**
  - ◆ **Account balance transferred (including any loans)**
  - ◆ **Contribution elections continued automatically**
  - ◆ **Opportunity to redirect investments once transferred**
  - ◆ **Any after-tax contributions under General Signal Plan stopped**



## **The SPX Retirement Savings Plan (cont.)**

- **What enhancements have been made?**
  - ◆ Increased company match from (4% to 5%)
  - ◆ More investment funds
  - ◆ Account value determined on daily basis (rather than quarterly)
  - ◆ Access to telephonic voice response system and Internet

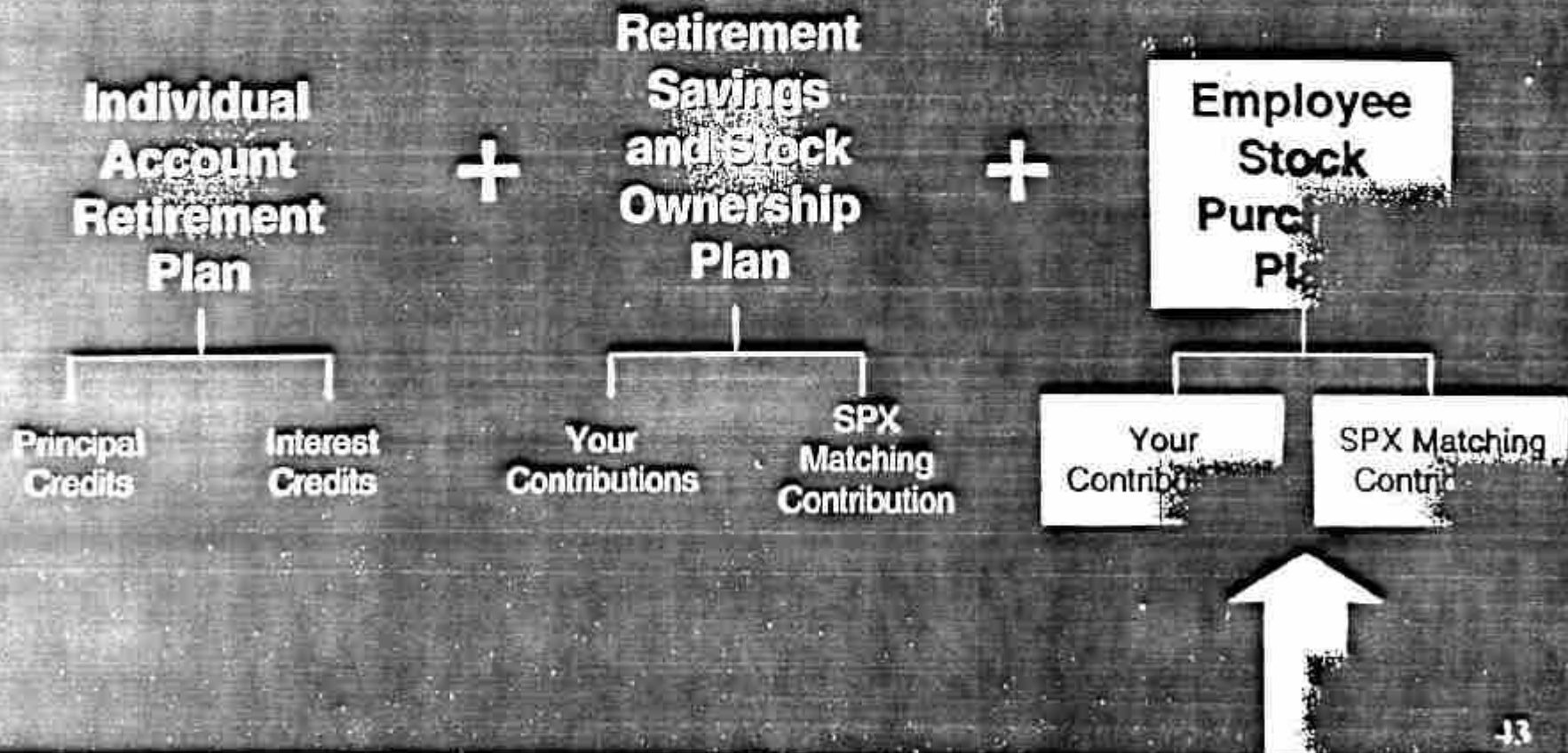


## **The SPX Retirement Savings Plan (cont.)**

- **How does the plan work?**
  - ◆ Pre-tax contributions of 1-17% of pay
    - Up to \$10,000
  - ◆ SPX enhanced matching contribution:
    - \$1 for \$1 match up to 4% of pay
    - \$.50 on every \$1 on next 2% of pay
  - ◆ SPX contribution made initially in common stock
  - ◆ Immediate vesting
  - ◆ More investment funds
  - ◆ May take approved loans/hardship withdrawals
  - ◆ Access to account when you leave SPX for any reason

# SPX Employee Stock Purchase Plan

## SPX Financial Security Plans

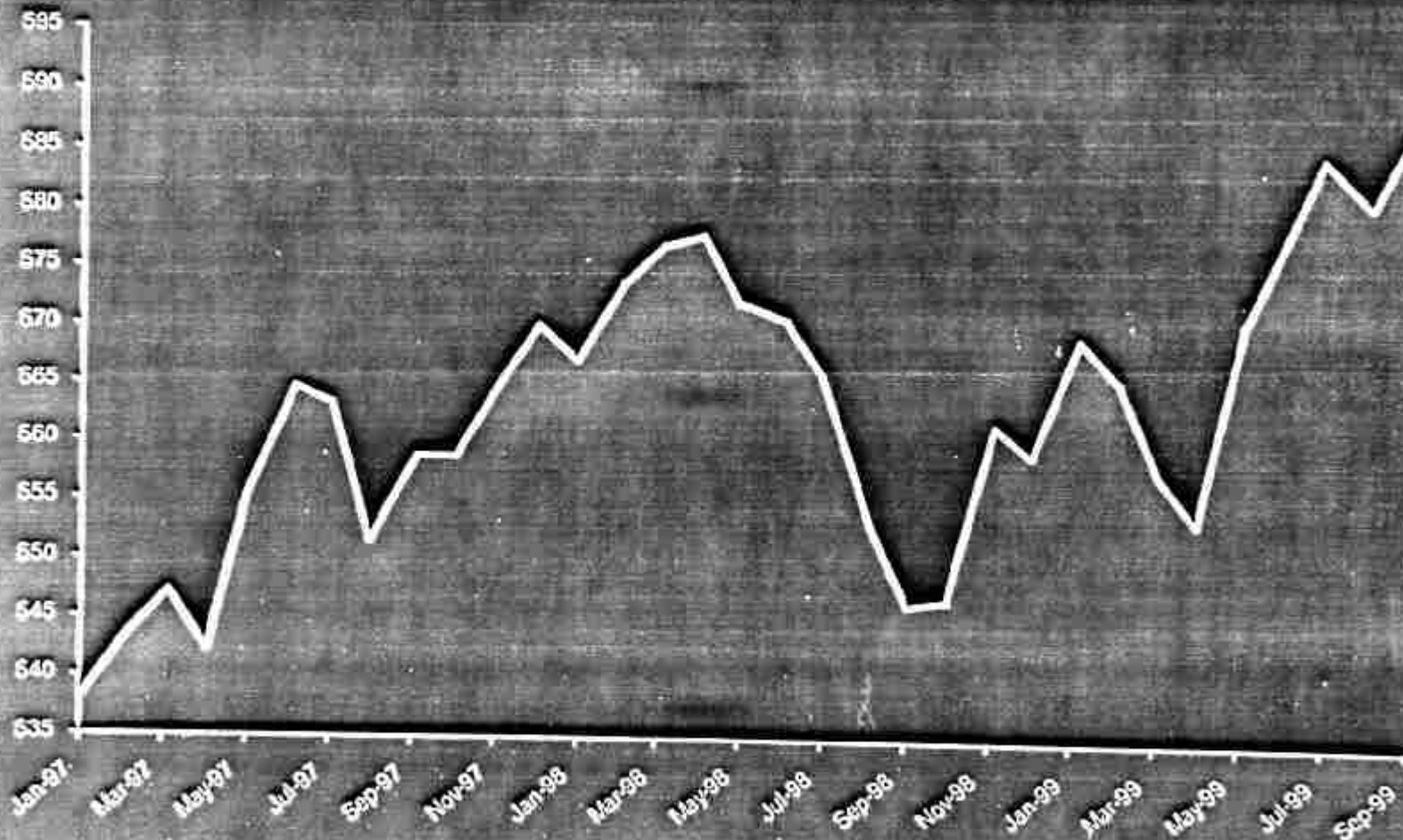




## **SPX Employee Stock Purchase Plan**

- **How does the plan work?**
  - ◆ Opportunity to build future wealth by contributing to Stock Purchase Plan
  - ◆ Can invest from 1-10% of pay on after-tax basis
  - ◆ For every \$1 you invest, SPX adds \$.15 to your account
  - ◆ SPX pays brokerage fee
  - ◆ Will be rolled out in January 2000; available as units move to PeopleSoft

## Stock Price Performance - 1/1/97 to Present





## **The Bottom Line**

- **The SPX Financial Security Plans include changes and improvements:**
  - ◆ Added lump sum and portability features under the LARP
  - ◆ Increased Savings Plan company match
  - ◆ New opportunity to participate in Employee Stock Purchase Plan and receive a company match
  - ◆ SPX commitment to providing you with the tools and flexibility to build future wealth
  - ◆ Total dollar value of future benefit may be less for small number of associates
    - Transition benefits provided to these associates
- **These resources, when working together, are comparable or stronger than the former General Signal retirement plans**

## **What Does All This Mean to You?**

- **Consistent benefits among SPX associates**
- **Competitive benefits package**
- **Added flexibility**
- **Opportunity to build wealth for the future, in addition to Social Security and other personal savings**



## **What to Expect in October?**

- **Special Edition of “Update on Benefits” – details the Financial Security Plans**
- **Personalized Retirement Statement – explains your individual calculations**
- **Summary Plan Description – provides detailed information on the IARP**
- **Hotline – answers any questions you may have (1-800-465-2935)**